

Message Text

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ALSO FOR USEEC USOECD
E. O. 11652: N/A
TAGS: EAIR, ETRD, UK, XT, US
SUBJECT: CIVAIR: INTERNATIONAL COOPERATION ON A NEW
AIRLINER: TIME FOR DECISION?

REF: A) LONDON 6481(NOTAL); B) LONDON 6446(NOTAL);
C) LONDON 6053(NOTAL); D) LONDON 6048(NOTAL)

1. THIS TELEGRAM CONTAINS PROPRIETARY INFORMATION,
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WHICH SHOULD BE SAFEGUARDED APPROPRIATELY.

2. SUMMARY. COMMERCIAL PRESSURES AND THE LOGIC OF
GOVERNMENTAL PROCESSES ARE COMBINING TO MAKE IT MORE
LIKELY THAT THE UKG WILL SOON TAKE A NUMBER OF AERO-
SPACE DECISIONS. THREE U.S. FIRMS HAVE MADE, OR
SHORTLY WILL MAKE, PRESENTATIONS OF THEIR PROPOSALS

TO THE SECRETARY OF STATE FOR INDUSTRY FOR CONSIDERATION BY A CABINET SUBCOMMITTEE AND THEN THE FULL CABINET. BRITISH AEROSPACE CLAIMS TO BE WORKING TOWARD COOPERATION IN AIRFRAME MANUFACTURING WITH BOTH THE U.S. AND EUROPE. IT FEARS BOEING, WHILE RECOGNIZING ITS PAST SUCCESS, AND WOULD BE MORE COMFORTABLE WITH MC-DONNELL-DOUGLAS (MCD). ROLLS-ROYCE SEES ITSELF AS "SUPPLIER TO THE TRADE" AND THUS IS INTERESTED IN AEROSPACE DECISIONS BEING MADE ON COMMERCIAL GROUNDS. THE CHAIRMAN OF THE NATIONAL ENTERPRISE BOARD, WHICH OWNS ROLLS-ROYCE, PUBLICLY CLAIMED THAT COOPERATION WITH THE U.S. ON AIRLINERS WOULD MEAN FOUR TIMES AS MANY JOBS FOR BRITAIN AS COOPERATION WITH THE EUROPEANS. THE FOREIGN OFFICE AND THE PROCUREMENT EXECUTIVE OF THE MINISTRY OF DEFENSE LEAN TOWARD A EUROPEAN SOLUTION, BUT THE GOVERNMENT REITERATED IN PARLIAMENT APRIL 24 THAT IT CONSIDERS THE DECISION A COMMERCIAL, NOT A POLITICAL ONE. WITHIN THE AFFECTED BRITISH TRADE UNIONS THERE ARE CONFLICTING OPINIONS, REFLECTING PRIMARILY THE EFFECT PARTICULAR CHOICES ARE EXPECTED TO HAVE ON EMPLOYMENT IN THE SECTION CONCERNED. THE ONLY CONSENSUS IS A GENERIC BELIEF THAT THE DECISION SHOULD MAXIMIZE JOB OPPORTUNITIES. NO GOVERNMENT DECISION HAS BEEN TAKEN ON BA'S REQUEST TO BUY 19 BOEING 737'S, BUT IT SEEMS LIKELY THAT LIMITED OFFICIAL USE

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THE FIRM WILL HAVE TO ACCEPT A FEW BAC-111'S. (PRESS STORIES ARE SAYING FOUR.) END SUMMARY

3. BOTH BOEING AND EUROPEAN SPOKESMEN, APPEARING ON BBC TV MAY 10, ARGUED THAT BRITISH AEROSPACE (BAE) MUST MAKE UP ITS MIND BY THE END OF MAY WHAT IT INTENDS TO DO ABOUT COOPERATION WITH OTHER MAKERS IN DEVELOPING AND PRODUCING MEDIUM-RANGE AIRLINERS IN THE 130-200 SEAT RANGE. OTHERWISE, THEY SAID, THEIR PROJECTS WOULD HAVE TO GO AHEAD WITHOUT BAE. BAE, ON THE OTHER HAND, ARGUES THAT A DECISION CAN QUITE WELL BE PUT OFF UNTIL LATER IN THE YEAR, AND IN FACT IT DOES APPEAR THAT EVERY AEROSPACE MANUFACTURER CAN AFFORD TO WAIT AS LONG AS NO ONE ELSE MOVES. HOWEVER, AS SIR KENNETH KEITH, THE ROLLS-ROYCE (RR) CHAIRMAN, PUT IT IN PRIVATE CONVERSATION MAY 11, PRIME MINISTER CALLAGHAN AND HIS CABINET ARE NOW PERSONALLY INVOLVED, AND THEY WILL LOOK FOOLISH IF BRITISH POLICY IS NOT CONSIDERABLY BETTER DEFINED WITHIN A FEW WEEKS, SAY BY SOMETIME IN JUNE.

4. THE PERSONAL INVOLVEMENT OF THE CABINET IS THE

PRINCIPAL DEVELOPMENT IN THIS MATTER SINCE MID-APRIL
(THE SITUATION DESCRIBED IN REFS C AND D). PERHAPS
THE MOST STRIKING ASPECT HAS BEEN THE INVITATION
OF ERIC VARLEY, SECRETARY OF STATE FOR INDUSTRY,
TO INTERESTED U.S. FIRMS TO MAKE THEIR PROPOSALS

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TO HIM PERSONALLY. TOP-RANKING OFFICERS OF BOEING
AND MCD DID SO MAY 9 AND 10, RESPECTIVELY, AND A
LOCKHEED DELEGATION IS EXPECTED IN LONDON MAY 17.
AT VARLEY'S REQUEST, BOTH SIDES ARE REPRESENTING THE
TALKS PUBLICLY AS SIMPLY AN OPPORTUNITY FOR THE
FIRMS TO MAKE SURE THEIR IDEAS ARE FULLY UNDERSTOOD,
AND FOR VARLEY AND HIS ASSOCIATES TO ASK QUESTIONS,
AND NOT AS NEGOTIATIONS. IT APPEARS THAT THIS

CHARACTERIZATION IS LARGELY TRUE, ALTHOUGH THE LOCAL
MCD REPRESENTATIVE REPORTS (PROTECT INFO) THAT AT
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THE CLOSE OF THEIR MEETING VARLEY COMPLIMENTED MCD ON
KEEPING A LOW PROFILE AND AVOIDING APPEARING TO TRY
TO DIVIDE THE U.K. FROM EUROPE. REPORTEDLY, BOTH
THE PRIME MINISTER'S OFFICE AND THE DEPARTMENT OF
TRADE HAVE ALSO BEEN REPRESENTED AT THESE TALKS,
AND EDMUND DELL, SECRETARY OF STATE FOR TRADE, MET
PERSONALLY WITH AT LEAST THE BOEING TEAM.

5. ACCORDING TO PRESS REPORTS, THE U.S. FIRMS'
PROPOSALS, THE STATUS OF BRITISH AEROSPACE'S NEGOTIA-
TIONS WITH THE EUROPEANS, AND RELATED MATTERS SUCH
AS BRITISH AIRWAYS' REQUEST TO PURCHASE 737'S, BAE'S
DESIRE TO LAUNCH THE HS-146, AND RR'S TO LAUNCH THE
-535 VERSION OF THE RB-211 ENGINE ARE ALL BEING
CONSIDERED BY A CABINET SUBCOMMITTEE COMPOSED OF
VARLEY, DELL, DENIS HEALEY, CHANCELLOR OF THE
EXCHEQUER, FRED MULLEY, SECRETARY OF STATE FOR
DEFENSE, AND HAROLD LEVER, CHANCELLOR OF THE DUCHY
OF LANCASTER. THEIR CONCLUSIONS ARE TO BE PRE-
SENTED TO THE FULL CABINET.

6. IN THE MEANTIME, THE POSITION OF SOME OF THE
OTHER PLAYERS HAS BECOME CLEARER:
A. BRITISH AEROSPACE (BASED PRIMARILY ON A CONVER-
SATION WITH LORD BESWICK, CHAIRMAN, AND SIR PETER
FLETCHER, DIRECTOR OF CORPORATION STRATEGY AND
PLANNING); BAE STRONGLY REJECTS ANY ACCUSATION
OF BEING ANTI-AMERICAN. IT BELIEVES THAT TRANS-
ATLANTIC PARTNERSHIP IN AEROSPACE, WITH CON-
TINENTAL PARTICIPATION, IS DESIRABLE IN PRIN-
CIPLE AS IN THE GENERAL INTEREST OF THE WESTERN
WORLD. HOWEVER, TO MAKE SUCH A SUGGESTION NOW
TO THE FRENCH AND GERMANS WOULD ONLY ELICIT A FLAT
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REJECTION. BAE IS WORKING TO SHAPE THE EUROPEAN
PROJECT IN A WAY WHICH WOULD MAKE U.S. PARTICI-
PATION SEEM MORE NATURAL, BUT THIS WILL TAKE
TIME. WITH REGARD TO PROSPECTIVE AMERICAN
PARTNERS:

1) BOEING HAS WOODED BAE PRIMARILY WITH PROMISES
OF PROFITS. IT HAS ALSO MADE THREATS OF RUIN

IF BAE REFUSES THE BOEING OFFER, THREATS STRONGLY RESENTED. ON THE BASIS OF PRIOR EFFORTS TO WORK OUT A SATISFACTORY AGREEMENT WITH BOEING, BAE DOUBTS THAT BOEING IS REALLY WILLING TO GIVE UP DESIGN RESPONSIBILITY TO A DEGREE BAE CAN ACCEPT. ANYWAY, FEELS BAE, THERE IS NO REASON TO BELIEVE BOEING WILL OUTSELL ITS COMPETITORS IN THE FUTURE JUST BECAUSE IT HAS IN THE PAST. (COMMENT: BOEING'S LONDON REPRESENTATIVE EXPLAINED TO THE EMBASSY THAT BOEING HAS OFFERED OVER 55 PER CENT OF THE PROPOSED 757 TO BRITAIN, 25 PER CENT IN THE FORM OF THE ENGINE AND NACELLE. THE PRINCIPAL RESPONSIBILITIES FOR BAE WOULD BE THE WING AND LANDING GEAR. HOWEVER, THE GENERAL CONCEPT OF THE AIRCRAFT AS A DERIVATIVE OF EXISTING BOEING DESIGNS IS ALREADY SET, AND WIND TUNNEL RESEARCH FOR THE WING IS WELL UNDER WAY, ALTHOUGH MUCH REMAINS TO BE DONE. CLEARLY THE 757 DOES NOT OFFER BAE A CHANCE TO ACHIEVE ITS DREAM OF HAVING OVERALL DESIGN RESPONSIBILITY. THE ROLLS-ROYCE CHAIRMAN'S COMMENT THAT THE CORPORATE LEADERS OF AIRFRAME MANUFACTURERS TAKE MORE PRIDE IN NEW AIRCRAFT THEY HAVE LAUNCHED THAN IN DERIVATIVES, HOWEVER SUCCESSFUL, IS PERHAPS PERTINENT.)

2) BAE FINDS THE LOCKHEED PROPOSALS UNATTRACTIVE. THE ONLY SPECIFIC ARGUMENT PUT FORWARD WAS THAT THEY WOULD CONFLICT WITH BAE'S INTEREST IN LIMITED OFFICIAL USE

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PROVIDING PARTS, PARTICULARLY THE WINGS, FOR THE AIRBUS A-300.

3) BAE FINDS THE MCD APPROACH MUCH MORE CONGENIAL THAN BOEING'S. LIKE BAE, MCD SEEMS CONVINCED OF THE DESIRABILITY OF TRANS-ATLANTIC COOPER-

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ATION FOR ITS OWN SAKE, AND IT APPEARS OPEN
TO SUGGESTIONS ABOUT HOW RESPONSIBILITIES
SHOULD BE SHARED. (COMMENT: MCD'S LONDON
REPRESENTATIVE CONFIRMED THAT THIS IS THE
MCD APPROACH, AND THAT MCD HAS PROPOSED
THAT BAE, THE ITALIANS AND THE SWEDES ALL JOIN
IT IN A NEW PROGRAM. SPANISH, SWISS AND EVEN
GERMAN PARTICIPATION ARE ALSO POSSIBILITIES.
MCD HAS HAD CONSIDERABLE EXPERIENCE IN COOPER-
ATION ACROSS INTERNATIONAL BOUNDARIES, IN-
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CLUDING CURRENT MILITARY PROJECTS WITH BAE.
IT HAS A GREAT DEAL OF RESPECT FOR BAE'S DESIGN
CAPABILITIES AS LONG AS THEY ARE DIRECTED AT
PRODUCING A MARKETABLE AIRCRAFT, AND IT FEELS
THAT IT COULD INSURE THAT WITHOUT TRAMPLING
ON BAE'S PRIDE. THE MCD REPRESENTATIVE PRE-
DICTED THAT LORD BESWICK WILL NOT BE CHAIRMAN
OF THE BAE FOR LONG, BUT HE CLAIMED THAT MCD
IS WELL REGARDED AMONG THOSE WHO WILL REMAIN.)
B. ROLLS-ROYCE (DERIVED LARGELY FROM CONVERSA-
TIONS WITH SIR KENNETH KEITH, CHAIRMAN, AND DR.

DAVID MITCHELL, ASSISTANT COMPANY COMMERCIAL DIRECTOR):

1) ROLLS-ROYCE SEES ITSELF AS "SUPPLIER TO THE TRADE", AND AS SUCH IT IS PREPARED TO PROVIDE ENGINES FOR ANY COMPATIBLE AIRCRAFT. AT THE SAME TIME IT IS UNABLE TO DO EVERYTHING AT ONCE, AND PREFERS TO UTILIZE ITS RESOURCES ON THOSE PROJECTS OFFERING THE PROSPECT OF RICHEST REWARD. ROLL-ROYCE'S MANAGERS ADMIRE BOEING'S COMMERCIAL SUCCESS, THEY HAVE WORKED SUCCESSFULLY WITH BOEING IN THE PAST, AND THEY HOPE TO DO SO AGAIN IN THE FUTURE. THEY REGARD BEING CHOSEN TO PROVIDE THE "LAUNCH" ENGINE AS A SALES ADVANTAGE WORTH WORKING FOR, AND THEY ARE HOPEFUL OF ACHIEVING THAT POSITION IN THE 757, PARTICULARLY IF BA BUYS IT. IN THE LIGHT OF THESE CONSIDERATIONS, THEY ARE NOT MUCH INTERESTED IN ANY POSSIBILITY THAT MAY EXIST FOR PROVIDING ENGINES FOR THE B-10 OR SOME VERSION OF THE JET. IN PARTICULAR, THEY BELIEVE THAT THE MARKET FOR 130-160 SEAT AIRCRAFT IS SMALL.

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2) ROLLS-ROYCE HAS THEREFORE ARGUED STRONGLY WITHIN OFFICIAL CIRCLES THAT EACH OF THE THREE NATIONALIZED COMPANIES INVOLVED, RR, BAE, AND BRITISH AIRWAYS (BA), SHOULD BE ALLOWED TO DO WHAT IT FEELS IS COMMERCIALY SOUND. ANY SUGGESTION THAT POLITICAL CONSIDERATIONS ARE STACKING THE DECK AGAINST AMERICAN PRODUCTS WILL, IT SAYS, MAKE IT MUCH MORE DIFFICULT TO KEEP THE U.S. OPEN TO U.K. PRODUCTS, NOT LEAST ROLLS-ROYCE ENGINES. CONGRESSMAN VANIK'S STATEMENT ON U.S. PURCHASES OF FOREIGN AEROSPACE PRODUCTS IS ADDUCED IN EVIDENCE. (RR PRESUMES THAT SUCH A FREE-REIN POLICY WOULD MEAN BA PURCHASE OF 737'S AND 757'S, AND CONTINUING RR COOPERATION WITH BOEING. BAE WOULD BE LEFT TO MAKE UP ITS OWN MIND IN THE LIGHT OF THOSE FACTS, E.G., NO ASSURED HOME MARKET.) SIR KENNETH APPEARED CONFIDENT MAY 11 THAT IN TAKING ITS DECISION, THE U.K. GOVERNMENT WILL BE CAREFUL NOT TO HAMPER RR.

C. SIR LESLIE MURPHY, CHAIRMAN OF THE NATIONAL ENTERPRISE BOARD (NEB) (THE GOVERNMENT BODY WHICH OWNS RR), EMPHASIZED PUBLICLY MAY 4 THAT RR MUST HAVE ACCESS TO THE U.S. MARKET. HE ALSO CLAIMED (A CLAIM REJECTED BY LORD BESWICK) THAT COLLAB-

ORATION ON A U.S. AIRLINER PROJECT COULD PROVIDE
FOUR TIMES AS MANY JOBS IN THE U.K. AEROSPACE
INDUSTRY AS COLLABORATION WITH THE EUROPEANS.
D. THE FOREIGN OFFICE: ACCORDING TO A KNOWLEDGEABLE
FOREIGN OFFICE OFFICIAL, FOREIGN SECRETARY OWEN
WOULD LIKE TO SEE BRITAIN COOPERATING WITH EUROPE
IN BUILDING A NEW FAMILY OF AIRLINERS, BUT HE
WOULD HATE TO BE IDENTIFIED WITH A BRITISH DECISION
TO GO EUROPEAN FOR EUROPEANIST REASONS. (WE ARE
TOLD THAT AEROSPACE MATTERS CAME UP IN THE
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SCHMIDT-CALLAGHAN DISCUSSIONS APRIL 23-24 BUT
THE FULL TENOR OF THEIR DISCUSSION HAS NOT BEEN
REVEALED TO RESPONSIBLE U.K. OFFICIALS.)
E. MINISTRY OF DEFENCE: THE RAF, AS AN OPERATIONAL
UNIT, RESPECTS U.S. TECHNOLOGY, LIKES AMERICANS,

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AND WOULD BE PLEASED TO SEE U.S.-U.K. COOPERATION IN THE CIVILIAN AEROSPACE FIELD. THE PROCUREMENT EXECUTIVE OF MOD, HOWEVER, TENDS TO REFLECT THE OPINIONS AND INTERESTS OF THE AEROSPACE INDUSTRY. IN THE CASE AT HAND, AS THERE ARE DIFFERENT OPINIONS IN THE INDUSTRY, THERE ARE DIFFERENT OPINIONS IN THE EXECUTIVE. THOSE WHO FAVOR A EUROPEAN SOLUTION ARGUE THAT COOPERATION WITH THE AMERICANS ON THE CIVILIAN SIDE MIGHT UPSET COOPERATION ON THE MILITARY SIDE
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WITH EUROPE. THEY ALSO FEAR THAT COOPERATION WITH A U.S. FIRM, PARTICULARLY BOEING, WOULD RESULT IN THE EROSION OF BAE'S OVERALL DESIGN CAPABILITY. THEIR VOICE TENDS TO BE THE STRONGEST WITHIN THE EXECUTIVE SINCE THEIR CHIEF, AIR CHIEF MARSHAL DOUGLAS LOWE, CONTROLLER OF AIRCRAFT PROCUREMENT, IS CONVINCED THAT BRITAIN'S AEROSPACE FUTURE LIES WITH EUROPE.

F. THE GOVERNMENT: IN REPLY TO A WRITTEN QUESTION, SECRETARY OF STATE FOR INDUSTRY VARLEY ASSURED THE COMMONS APRIL 24 THAT "THE GOVERNMENT HAVE REPEATEDLY MADE IT CLEAR THAT IT REGARDS DECISIONS ON NEW CIVIL AIRCRAFT PROJECTS AS COMMERCIAL, NOT POLITICAL, MATTERS."

G. LABOR: THE UNIONS' VOICE ON THESE ISSUES HAS BEEN RATHER MIXED. A REPORT ISSUED MAY 3 BY THE ASSOCIATION OF PROFESSIONAL, EXECUTIVE, CLERICAL AND COMPUTER STAFF (APEX) CALLS FOR BRITISH PARTICIPATION IN BOTH THE 757 AND JET PROGRAMS. HUGH SCANLON, OUTGOING PRESIDENT OF THE AMALGAMATED UNION OF ENGINEERING WORKERS AND A MEMBER OF THE NEB, SUGGESTED MAY 10 THAT COOPERATION WITH THE U.S. WOULD PROVIDE MORE JOBS THAN COOPERATION WITH EUROPE, BUT THE NEXT DAY THE CHAIRMAN OF THE CONFEDERATION OF SHIPBUILDING AND ENGINEERING UNION'S AEROSPACE COMMITTEE ARGUED THAT BOEING MIGHT BURY BAE IN SUBCONTRACT WORK TO THE EXTENT THAT BAE JOBS WOULD BE DEPENDENT ON BOEING'S GOOD WILL. THE UNION CONFERENCE THAT BOTH MEN HAD ADDRESSED THEN VOTED

IN FAVOR OF A RESOLUTION CALLING FOR PREFERENCE
FOR BAE AIRCRAFT WITH RESPECT TO BA PURCHASES
NOW AND IN THE FUTURE. (THE APEX REPORT CALLED
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FOR AN EEC IMPORT DUTY ON PLANES OF LESS THAN
80 PER CENT EUROPEAN CONTENT.) ACCORDING TO
THE FINANCIAL TIMES OF MAY 11, WORKERS AT RR

AT BAE COOPERATION WITH EUROPE. THEIR LEADERS,
HOWEVER, SEEM TO AGREE THAT COOPERATION WITH
BOEING WOULD THREATEN BRITAIN'S TECHNOLOGICAL
INDEPENDENCE.

7. MEANWHILE THE DECISION ON BA'S REQUEST TO BUY 19
BOEING 737'S HAS BEEN POSTPONED. BAE CLAIMS TO HAVE
NO OBJECTION TO A PURCHASING DECISION PRIOR TO DE-
TERMINING BRITAIN'S MANUFACTURING PLANS, BUT THE
CABINET APPARENTLY WISH AT LEAST TO BE FULLY INFORMED
ON BOTH MATTERS BEFORE DECIDING EITHER. ONE IDEA
BEING WIDELY BRUIED IN UKG CIRCLES IS TO BUY SOME
OF EACH, AS SUGGESTED PARA 11, REF D. (FOUR BAC-111'S
IS THE NUMBER NOW REPORTED IN THE PRESS.) WHILE OF
DOUBTFUL ECONOMIC SENSE, THIS OPTION WOULD HOPEFULLY
GIVE BRITISH AIRWAYS AND THE U.S. ENOUGH TO KEEP THEM
QUIET WHILE AT THE SAME TIME KEEPING THE BAC-111
IN PRODUCTION AND ENABLING THE GOVERNMENT TO DENY
THAT THERE WOULD BE ANY IMPACT ON A LATER DECISION
REGARDING MANUFACTURING PROJECTS. (IT NOW APPEARS
THAT THE HUSH-KITTED BAC-111 PROPOSED FOR BA IS
BEING REFERRED TO AS THE -600. THE FURTHER-IMPROVED
MODEL WITH THE NEW ENGINE, TO BE AVAILABLE IN THE
MID-1980'S, IS CALLED THE -700.)

8. COMMENT: THE BULK OF THE EVIDENCE AT HAND SUGGESTS
THAT THE BRITISH MANUFACTURING DECISIONS WILL BE MADE
ON COMMERCIAL GROUNDS. THIS WOULD MEAN THAT ROLLS-
ROYCE COULD PURSUE ITS PREFERRED ROLE AS "SUPPLIER
TO THE TRADE". AS FOR BAE, IT IS NOT YET CLEAR
WHETHER THE CABINET WILL MAKE ITS OWN DETERMINATION
AND IMPOSE IT ON THE COMPANY, OR ALLOW BAE TO MAKE
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UP ITS OWN MIND. IN EITHER CASE, BAE MIGHT JOIN
AIRBUS INDUSTRIE, BUT THERE REMAINS THE QUESTION OF
PROFIT OR LOSS. IN ADDITION, WE HAVE THE IMPRESSION

THAT SO FAR THE BRITISH HAVE NOT HAD MUCH SUCCESS
GETTING THE KIND OF TERMS THEY WOULD LIKE, AND THE

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RECENT UNILATERAL FRENCH DECISION TO CANCEL A PRO-
POSED SALES TOUR OF THE U.S. TO PROMOTE JET-1 AND 2
WAS APPARENTLY A BLOW. (SEE AVIATION DAILY OF
APRIL 24.) IF AIRBUS INDUSTRIE IS REJECTED, BAE WILL
HAVE EITHER TO GO WITH MCD, WHICH, DESPITE A SUB-
STANTIAL SHARE OF THE MARKET, HAS SOLD MANY FEWER
AIRLINERS THAN BOEING IN RECENT YEARS, OR TAKE ITS
CHANCES, AS IT SEES IT, OF BEING SWALLOWED UP BY
BOEING. THE LOCKHEED OFFER SEEMS AT PRESENT TO HAVE
LITTLE PROSPECT OF BEING ACCEPTED. (A SUNDAY TIMES
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ARTICLE OF MAY 14, BEING POUCHED EB/OA, DESCRIBES QUITE ACCURATELY THE PROS AND CONS OF THE BOEING AND MCD OFFERS AS SEEN HERE. MCD IS TRYING, APPARENTLY WITH SOME SUCCESS, TO PERSUADE RR AND BA THAT ITS ATMR (ADVANCED TECHNOLOGY/MEDIUM RANGE) WOULD FIT THEIR PLANS AT LEAST AS WELL AS BOEING'S 757, AND HAVE THE ADDED ADVANTAGE OF MORE FUSELAGE GROWTH POTENTIAL. MCD WOULD BE PREPARED TO LAUNCH THE ATMR PROGRAM WITH ORDERS FOR ABOUT 70 AIRCRAFT, AND CLAIMS THAT TWO MAJOR AIRLINES, ONE U.S. (NOT EASTERN), AND ONE EUROPEAN, ARE SERIOUSLY INTERESTED. A BA COMMITMENT COULD THUS MEAN "GO".)

9. THE GREAT UNKNOWN IS THE INTENSITY OF EUROPEAN PRESSURE AT THE POLITICAL LEVEL. IT IS GENERALLY ACCEPTED HERE THAT BRITAIN'S EUROPEAN CREDENTIALS WILL BE QUESTIONED IF IT REJECTS COOPERATION WITH THE GERMANS AND FRENCH, BUT WE HAVE NO FIRM EVIDENCE THAT THE TWO EUROPEAN GOVERNMENTS ARE CURRENTLY MAKING THAT POINT, NOR THAT IT IS BEING GIVEN GREAT WEIGHT BY THE BRITISH. (THE MCD REP CLAIMS THAT IN FACT THE JET PROGRAM IS DEAD, BUT FOR POLITICAL REASONS THE FRENCH AND GERMANS ARE UNABLE TO ADMIT IT. A LONDON TIMES REPORT OF MAY 17 THAT MAJOR EUROPEAN AIRLINES ARE RELUCTANT TO BUY THE JET IS CONSISTENT WITH THAT CLAIM.)

10. THE 737 PURCHASE DECISION, WITH ITS DIRECT AND IMMEDIATE IMPACT ON BAE, IS MORE LIKELY TO BE FUDGED. INCLUSION OF A FEW BAC-111'S WOULD BE A RELATIVELY MINOR MATTER IN ITSELF, AND COULD BE JUSTIFIED AS FOR BA'S THINNER SHORT ROUTES, BUT IT WOULD RENEW AN UNFORTUNATE PRECEDENT. HOWEVER, PERHAPS BECAUSE OF LIMITED OFFICIAL USE

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BA'S UNFORTUNATE EXPERIENCE WITH THE TRIDENTS FORCED ON IT SOME YEARS AGO, THERE SEEMS TO BE LITTLE LIKELIHOOD THAT BA WILL BUY ONLY BAC-111'S. END COMMENT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AEROSPACE INDUSTRY, DEVELOPMENT PROGRAMS, JOINT VENTURES, AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON07810
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780210-0395
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780550/aaaabqcf.tel
Line Count: 651
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f500b49b-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 LONDON 6481, 78 LONDON 6446
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2668083
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: INTERNATIONAL COOPERATION ON A NEW AIRLINER: TIME FOR DECISION?
TAGS: EAIR, ETRD, UK, XT, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f500b49b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014